

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01 CIAE-00

CIEP-02 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-15

SAM-01 OES-05 SP-02 SS-15 STR-04 TRSE-00 PA-02 PRS-01

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R 161841Z MAR 76

FM AMEMBASSY ROME

TO SECSTATE WASHDC 6398

INFO AMCONSUL MILAN

AMCONSUL NAPLES

UNCLAS ROME 4336

E.O. 11652: N/A

TAGS: ENRG, ECON, EFIN, IT

SUBJECT: PRICE INCREASES: PETROLEUM PRODUCTS, TELEPHONE RATES,  
SOME FIAT MODELS

REF: (A) ROME 3527, (B) 3446 (ALL NOTAL)

/SUMMARY/: PRICE ADJUSTEMENTS WERE RECENTLY ANNOUNCED FOR  
PETROLEUM PRODUCTS, TELEPHONE RATES AND CERTAIN FIAT MODELS.  
MOST SIGNIFICANT ARE GENERALIZED INCREASES IN MAXIMUM PRICE  
LEVELS FOR PETROLEUM PRODUCTS; FOR INSTANCE HI-TEST GASOLINE  
GOES FROM 315 LIRE/LITER TO 350 LIRE/LITER.  
OTHER PRODUCTS INCREASED AS WELL. PREDICTABLY, INCREASES HAVE  
PLEASED NEITHER OIL COMPANIES NOR CONSUMERS. END SUMMARY.

1. DURING MARCH 12 MEETING, INTERMINISTERIAL PRICE  
COMMITTEE (CIP) INCREASED MAXIMUM PRICE LEVEL OF PETROLEUM  
PRODUCTS AND ADJUSTED TELEPHONE RATES. FORMER EFFECTIVE  
MARCH 13; LATTER APRIL 1. NEW MAXIMUM PRICE LEVELS  
(OLD LEVEL IN PARENTHESIS) ARE:

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REGULAR GASOLINE	335 LIRE/LITER	(300)
HI-TEST GASOLINE	350 "	(315)
FUEL OIL (FOR TRANSPORTATION)	155 "	(146)
FUEL OIL (FOR HEATING)	87,630 LIRE/M.T.	(79,250)
HEAVY FUEL OIL (HIGH SULPHUR CONTENT)		
	52,500 "	(50,000)
HEAVY FUEL OIL (LOW SULPHUR CONTENT)		
	56,150 LIRE/M.T.	(54,150)
HEAVY FUEL OIL (FLUID)	63,450 "	59,150)
KEROSENE	69,382 "	(59,229)
LPG	90,720 "	(77,720)
VIRGIN NAPHTA	101,030 "	(92,050)
BITUMENS	58,400 "	(56,500)
LUBRICANT BASE	123,549 "	(121,649)
NATURAL GAS	129 LIRE/LITER	(67)

RETURN PERMITTED PER M.T. CRUDE THUS INCREASED 10,153 LIRE/M.T. TO 69,382 LIRE/M.T.. PETROLEUM COMPANIES HAD REQUESTED INCREASES AMOUNTING TO APPROXIMATELY 13,000 LIRE/M.T. TO COVER ADDITIONAL COSTS OF REFINING AND DISTRIBUTION, AS WELL AS CHANGE IN LIRA-DOLLAR RATE. FOR FIRST TIME CIP SET PRICES FOR JET FUEL USED ON DOMESTIC RUNS (AT 82,000 LIRE/M.T., F.O.B. REFINERY); JET FUEL FOR INTERNATIONAL RUNS UNCONTROLLED.

2. TELEPHONE RATE ADJUSTEMENTS WERE APPROVED BASED ON GOI-UNION CONFEDERATION UNDERSTANDING REACHED IN NOVEMBER, 1975. WHILE EXACT DISTRIBUTION OF BENEFITS AND COSTS IS DIFFICULT TO DETERMINE PRECISELY, HOUSEHOLDS AND LOW-USERS WILL STAND TO PAY LESS WHILE BUSINESSES AND COMMERCIAL ESTABLISHMENTS WILL PAY MORE. PRINCIPAL CHANGE IS REDUCTION OF MINIMUM QUARTERLY PAYMENT FOR 200 CALLS TO 70 CALLS (150 FOR PARTY LINES) PLUS INCREASED CHARGES FOR USAGE ABOVE MINIMUM AND SPREADING OF INSTALLATION CHARGES FOR HOUSEHOLDS (NOW 80,000 LIRE) OVER 3-YEAR PERIOD. ON PAYMENT SIDE, HOURS FOR MAXIMUM TARIFFS WILL BE LENGTHENED AND QUARTERLY RATES FOR COMMERCIAL USERS WILL BE INCREASED 1500/2000 LIRE. NEW RATES GO INTO EFFECT APRIL 1, AND FIRST BILLS WILL BE DISTRIBUTED IN EARLY JULY.

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3. FIAT ANNOUNCED ON MARCH 14 AN INCREASE OF APPROXIMATELY SIX PERCENT ON ITS POPULARLY-PRICED 127 AND 128 MODELS AND ON X 1/9 SPORTS CAR. PRICE (LESS TAX) OF BASIC 2-DOOR 127 GOES TO 2,228,800 AND CHEAPEST 128 (1100 CC 2-DOOR) TO 2,436,000. POPULAR 128 1300 CC 4-DOOR GOES TO 2,676,800. PRICES OF FIAT'S 126, 131 AND 132 MODELS REMAIN UNCHANGED FROM JANUARY 20, 1976 INCREASE. INCREASES ARE IN LINE WITH FIAT'S

ANNOUNCED POLICY OF ADJUSTING PRICES IN LINE WITH PRODUCTION COSTS.

4. REACTION TO INCREASES LARGELY PREDICTABLE. OIL COMPANY ASSOCIATION "UNIONE PETROLIFERA" HAS CRITICIZED INCREASES AS INSUFFICIENT TO EASE COMPANY LOSSES. THE COMPANIES HAVE A /PRIMA FACIE/ CASE: THE EXCHANGE RATE USED BY CIP TO CALCULATE NEW LEVELS - 766 LIRE EQUALS ONE DOLLAR - IS SUBSTANTIALLY LESS THAN THE MORE THAN 800 LIRE EQUALS ONE DOLLAR CURRENTLY PREVAILING. CONSUMER CRITICISM HAS BEEN LED, AS USUAL BY TRUCKING INDUSTRY ASSOCIATIONS, THE ITALIAN AUTOMOBILE CLUB, MINISTER OF TOURISM SARTI AND THE LEFTIST PRESS. THE FIRST TWO HAVE SUGGESTED SUBSIDIZED PRICES FOR TRUCK FUEL AND THE MAINTENANCE OF DISCOUNT GASOLINE COUPONS FOR TOURISTS. REACTION TO TELEPHONE RATE ADJUSTMENT MILD, SINCE CIP DECISION ONLY RATIFIED EARLIER AGREEMENT. TURIN DAILY /LA STAMPA/ CRITICIZED TELEPHONE DECISION AS PANDERING TO POPULIST DEMAND WHICH DEMONSTRATED GOI INABILITY TO MAKE ECONOMICALLY RATIONAL DECISIONS IF POLITICALLY UNPOPULAR.

5. BROUHAHA OVER PETROLEUM PRICE INCREASES, ALTHOUGH BY NOW ASSUMING CERTAIN RITUAL ASPECTS, HAS PROMPTED CALLS FOR REVISION OF THE BASIC MECHANISM BY WHICH PRICE LEVELS ARE FIXED. MINISTRY OF INDUSTRY DONAT CATTIN HAS IMPLICITLY RECOGNIZED INSENSITIVITY OF EXISTING CIP FORMULA TO EXCHANGE RATES AND ASKED FOR PARLIAMENTARY DEBATE ON VARIOUS CHANGES. SOME INCREASES, I.E. ON HEAVY FUEL OILS, ARE UNLIKELY TO BE IMMEDIATELY REALIZABLE SINCE DOMESTIC PRICES ARE BELOW PREVIOUS PRICE LEVELS. VOLPE

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## Message Attributes

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